BILL SUMMARY
1st Session of the 56th Legislature

Bill No.:	**HB 1572**
Version:	**INT**
Request Number:	**6632**
Author:	**Rep. Echols**
Date:	**2/27/2017**
Impact:	**Worker's Compensation Commission (WCC): no negative fiscal impact on the state**

Research Analysis

HB1572, as introduced, modifies the powers and duties of the Workers' Compensation Commission (WCC) by striking language that requires the commission to contract with another entity to process, investigate and pay valid claims against an impaired self-insurer. The measure transfers these duties to the Self-insurance Guaranty Fund Board and makes the board the custodian of securities on deposit from a self-insurer. The measure also requires the WCC to levy assessments against each self-insurer when the balance of the Self-insurance Guaranty Fund falls below $750,000.

Prepared By: Quyen Do

Fiscal Analysis

HB 1572, as introduced and according to the Worker's Compensation Commission, can be broken down into three main sections:

- Sections 22 & 99: the amended language eliminates a Memorandum of Understanding (MOU) between the Commission and the Self-insurance Guaranty Fund Board (SIGF). It provides that when a self-insured employer files bankruptcy and the Commission releases the bond or letter of credit, the funds would be transferred to the SIGF board (in a segregated account for that employer's claims) and the SIGF immediately would administer the claims. Therefore, the funds would not be deposited into a Commission 701 account, but would be deposited into a 700 fund of the SIGF, which will act as the fiduciary of the funds. ***This takes responsibility away from the Commission and utilizes the Fund Board which can absorb the duty. No fiscal impact.***
- Section 98(2): the amendment to this section changes the trigger amount for the SIGF when an assessment is issued against the self-insureds. The SIGF is lowering the amount that will require the trigger – the fund has to drop below $750,000 before an assessment is issued against the self-insureds. Although the trigger amount is lowered to $750,000, the assessment percentage is increased to 2% from 1%. Additionally, the trigger amount would be based on "net fund balance", not on "fund balance". Therefore, the balance reviewed for assessment purposes would not be the current cash balance of the fund, but the net balance looking at the amount of the fund after all known outstanding claims in the fund are subtracted. ***This could increase the amount of assessments on self-insureds. All of these are private companies. No fiscal impact for the state.***
- Section 99(C) and 98(3): These sections relate to the Commission's current 701 accounts (each bankrupt self-insured employer has a separate 701 account maintained by the

Commission), which maintain balances from a released bond or letter of credit after all claims have been paid. The Commission has many accounts with small amounts in them that are out of date and the statute does not provide for what they should do with these balances. The amendment would allow the balances to be transferred to the SIGF's account to pay claims for other self-insureds which have gone into their fund because their bond or letter of credit funds were exhausted. ***This is a transfer of existing funds. No fiscal impact for the state.***

Prepared By: Kristina King

Other Considerations

None.